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GUTHRIE FEDERAL CREDIT UNION

104 N. Elmer Avenue
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April 1, 2009

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comment on Proposed Rule – 12 CFR Part 704 Corporate Credit Unions

Dear Ms. Rupp and Members of the NCUA Board:

I am writing on behalf of the Board of Directors and management team of Guthrie Federal Credit Union (GFCU) which is headquartered in Sayre, Pennsylvania and serves 6,500 members in northern Pennsylvania and the southern tier of New York.

Our major concern with the corporate system issues is the cost in dollars and the possible interruption of services provided by corporates to natural person credit unions. I do believe in the corporate system and believe if structured properly and cost-effectively, the corporate system will continue to benefit the natural person credit union industry for many years to come.

Thank you for the opportunity to share our thoughts and ideas. Overall the number of corporates, I feel is the first issue needing to be addressed. Overlap is unnecessary. How can a corporate cost justify working with a natural person credit union with a 3 hour time zone differential? GFCU believes regional corporates, similar to regional offices of NCUA (there are 5) would be appropriate. This would reduce overhead substantially within the corporate system. It would also allow NCUA regional offices to have specialized examiners to monitor their regional corporate. Thus reduce risk.

Pursuant to the ANPR, here are the topics addressed individually:

1. **The Role of Corporates in the Credit Union System:**
   a. Payment System – Assuming the reduction of corporates overall, it would be prudent to allow corporates who currently have the operational discipline and expertise to run a payment system along with various investment products. I would

think some diversity would aid an overall business plan in market downturns, which would enable prudent corporates to keep their capital at the required limits. The ability to work with CUSO's or entities such as CO-OP would be beneficial.

b. Liquidity and liquidity management: GFCU believes it is the role of the regulator to provide oversight and enforcement of the regulations, not make management decisions on behalf of the institutions it regulates. This must not be forgotten. Liquidity management is the core service that corporates offer as an alternative to Federal Funds in banks that are not looking out for credit unions best interests. Again a valid business plan along with historical data would allow corporates to achieve success in a variety of deposit products. Cash flow duration limits would constrain corporate credit unions from providing competitive short term investments.

c. Field of Membership Issues: As stated in our opening comments, GFCU feels overlap FOM is unnecessary. Current market conditions have verified that "knowing your market" tends to be a statement that is not easily obtainable. Regionalization of corporate would allow them to become experts in their markets. A positive and profitable business plan would create an atmosphere for natural person credit unions of all sizes to desire to do business with a successful corporate.

d. Expanded Investment Authority: Corporate credit unions should be allowed to have expanded investment authority. Corporates who have shown proper due diligence and not taken undue risks should be strongly considered for the remaining regional corporate. If the corporate is employing qualified staff and exercising the proper controls the proper risks will be taken. If corporates desire to expand their investments it would be prudent for NCUA to establish a risk based capital system, perhaps following the Basel standards.

e. Structure; two-tiered system: It seems even with its regulator housing someone internally, the two-tiered system didn't have proper controls. Thus the conclusion, this system is too risky. I would suggest this system be phased out over time.

Corporate Capital:

2. Core Capital: It is evident that the current 2% minimum capital ratio is insufficient for the corporate world. Consolidation would allow this percentage to increase quickly. Overall a goal of 5% capital should be required within a 5 year time frame.

3. Membership Capital: GFCU has no issues with a natural person credit union maintaining a contributed capital account with a corporate in order to conduct services. On the flip

side, if a natural person credit union decides not to use a corporate, a 12 month notice should be given to withdraw capital.

4. Risk-based capital and contributed capital requirements: Risk-based capital requirements for corporates should be implemented by NCUA that are consistent with other federally regulated institutions.

5. Permissible Investments: As stated early, permissible investments should be different than natural person credit unions. The investment powers should be based on proper infrastructure (capital level and staff experience) to support the amount of risk. NCUA must be willing to achieve and maintain expertise in all types of investment products.

6. Credit Risk Management: There should be a requirement for more than one rating on any investment. Corporates must have a credit department that conducts all due diligence on each investment and rating analysis using sophisticated software.

7. Asset Liability Management: NCUA should require corporates to complete net interest income modeling and stress testing on all of its investments within its portfolio. The uses of modeling tools are essential to any good ALM program.

8. Corporate Governance: We believe corporate credit union boards should consist of nine (9) directors from within the credit union system. No director should be an employee. Term limits for officer positions should be required (maximum 2 terms). GFCU believes the current democratic process is adequate. No compensation should be given to any director.

9. Other:
    a. Corporate credit unions are a critical component of the credit union movement, especially the 250 million dollar and smaller credit unions. They allow smaller natural person credit unions such as GFCU (45 million) to compete in this very competitive market place. Discontinuance of corporates as we know them today will be a death sentence to many small credit unions. In this trying economic market, now is not the time to hamper the corporate credit union industry with many unnecessary regulations.
    b. GFCU has had a very positive and profitable relationship with Mid-Atlantic Corporate FCU. Our 6500 members have benefited greatly from this relationship.

In closing, you will find an attachment (Exhibit A). This is an analysis GFCU has completed on the natural person credit union industry as a whole (based on 9/30/09 5300 #'s). This analysis shows how 5,635 credit unions have capital ratios of 11% or greater. Like the tax code, and even the Obama Administrations philosophy, I would suggest that NCUA assess a greater stabilization premium to these "richer" net worth credit unions. This plan would allow natural person credit unions will net worth ratio at 6.99% or less to pay no assessment premium. This would be a great example of "people helping people" in action through the credit union industry.

Thank you for the opportunity to comment on this proposed rule. If you have any questions, please do not hesitate to contact me.

Sincerely,

Eric L. Chase
Chief Executive Officer

Cc: M. Fryzel – NCUA Board
R. Hood – NCUA Board
G. Hyland – NCUA Board
D. Mica – CUNA
J. McCormick – PCUA
J. Young – MACFCU
GFCU Board of Directors